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Bureau of Agricultural Economics
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T H E S H E E P A N D L A M B S I T U A T I O N

Summary

Slaughter supplies of grass lambs during the fall months are expected to continue larger than those of a year earlier, the Bureau of Agricultural Economics states. And supplies of fed lambs during the 1938-39 marketing season (December-April) probably will be relatively large, although the extent to which lamb feeding will be carried on this fall and winter is still uncertain. The lamb crop in 1938 was 5 percent larger than that of 1937 and was the largest on record. But contracting of western lambs for fall delivery, mostly for feeding, was considerably smaller to mid-September this year than last.

On the basis of current indications, it seems probable that the trend in industrial activity, consumer incomes, and the demand for meats will be upward during the next few months. This would be a reversal of the situation which prevailed a year earlier, when marked weakness in demand developed, and when lamb prices declined sharply.

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U.S. DEPOSITORY

Slaughter of sheep and lambs increased seasonally in August, and lamb prices weakened somewhat. But the usual seasonal decline in lamb prices during the summer months was less marked this year than last, apparently because of some strengthening in the demand for meats. In mid-September, prices of new crop lambs were less than \$2 per 100 pounds lower than those of a year earlier, although prices of such lambs at the beginning of the marketing year in May were \$3 to \$4 lower than a year earlier.

Inspected slaughter of sheep and lambs during the first 4 months of the current marketing year (May-August) was 7 percent larger than that of the corresponding 4 months in 1937.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- During the 1937-38 fed lamb marketing season (December-April), sheep and lamb prices averaged about \$2 per 100 pounds less than those of a year earlier, and were the lowest in 5 years. In December and January, slaughter supplies of sheep and lambs were smaller than those of a year earlier, but were considerably larger than in the previous year from February through April. Total numbers slaughtered during the fed lamb season were about the same as in 1936-37. Weakness in consumer demand for meats and in wool prices were the factors chiefly responsible for the relatively low level of prices of fed lambs last year.

The lamb crop in 1938 was 5 percent larger than that of 1937, and was the largest on record. Prices of new-crop lambs at the beginning of the season last May were from \$3 to \$4 lower than a year earlier, reflecting the larger marketings of early lambs as well as the less favorable demand situation. Little change in prices of new-crop lambs occurred in June and July, but prices of such lambs declined seasonally in August. Slaughter supplies of sheep and lambs during the first 4 months of the grass lamb marketing season were considerably larger than those of the corresponding months a year earlier.

Marketings increase, prices decline seasonally in August

With seasonally increased marketings of grass lambs in late July and in August, lamb prices declined more than 50 cents from mid-July levels. The price decline was halted in mid-August, however. Since mid-August, prices have fluctuated to some extent, but have shown little tendency to seek lower levels. For the week ended September 10, prices of good and choice spring lambs at Chicago averaged about \$9.50 per 100 pounds, nearly \$2, or 10 percent, lower than in the corresponding week a year earlier.

The seasonal decline in lamb prices since June was less marked this year than last, apparently because of some strengthening in the demand for meats in July and August.

Inspected slaughter of sheep and lambs in August, totaling 1,609,000 head, was 10 percent larger than in July, 7 percent larger than in August 1937, and was the second largest for the month on record.

Western lamb shipments larger than year earlier

Most of the increase in the lamb crop this year compared with last occurred in the four Western Sheep States: Texas, California, Wyoming, and South Dakota. There was a slight decrease in the lamb crop in the Native States. The increase in the late western lamb crop in terms of numbers was greater than in the early crop. A large part of the late crop of western lambs normally is marketed from August through November, including sales both to feeders and to slaughterers.

In August, shipments of western lambs were considerably larger than a year earlier. But contracting of feeder lambs was limited, following some activity in late July. Western lamb feeding sections have good crops of hay and feeds, but plans for feeding had made little progress, with relatively few lambs under contract at the end of August. Shipments of lambs from Texas in August probably exceeded the heavy run of August 1937.

Western sheep and lambs continue in very good condition. Early lambs have been well finished, and late lambs have done well and are expected to make good weights, with a larger-than-usual proportion of such lambs to be marketed fat.

OUTLOOK

In the Summer Outlook issue of this report, released in August, the following indications were given with respect to market supplies of sheep and lambs:

1. In view of the larger lamb crop, slaughter supplies of sheep and lambs for the 1938-39 lamb marketing year, which began May 1, probably will be larger than for 1937-38, when such slaughter was the third largest of record.

2. The seasonal increase in slaughter supplies of lambs from mid-summer to late fall may be larger this year than last, since the number of late lambs purchased for feeding may be no larger than a year earlier.

3. No definite indication of the number of lambs that will be fed in the fall and winter can be given at this time. Despite a favorable feed supply situation, contracting of western lambs for fall delivery, mostly for feeding, has been considerably smaller than a year earlier. Most of the lambs purchased on contract have been for Corn Belt account, with relatively few for western feeding areas. But a smaller volume of contract purchases does not necessarily mean a reduction in the number of lambs to be fed. It does indicate less willingness on the part of western lamb feeders to buy feeder lambs at current prices, although such prices are about \$2 lower than a year earlier.

It is possible that the unfavorable results of last year's feeding operations for lambs marketed before March will discourage some operators from feeding as many lambs as last year. Another factor which may have an important bearing on the number of lambs fed this winter will be the disposition of late lambs in Texas. It is possible that the situation with respect to Texas lambs this year will be somewhat similar to that of 1936, when prices of feeder lambs were low in relation to prices of slaughter lambs, prospects were favorable for higher wool prices in the following year, and the number of Texas lambs sold for feeding was relatively small.

Supply prospects unchanged

Little change in prospects for slaughter supplies of sheep and lambs has occurred in the past month. Contracting of western lambs for feeding, in late August and early September, remained well below the level of a year earlier. With the large slaughter in August, total inspected slaughter of sheep and lambs for the first 4 months of the current marketing year, beginning last May, continued at a level about 7 percent greater than that of a year earlier. Marketings of sheep and yearlings apparently were somewhat smaller than a year earlier, but marketings of new crop lambs were considerably larger.

Returns from lamb feeding last winter were relatively less favorable than returns from cattle and hog feeding. Hence it is possible that changes in the number of livestock fed this winter compared with last will be toward increased cattle and hog feeding rather than increased lamb feeding.

Continued improvement in demand prospects

Industrial activity showed a material upturn in July and August, and prospects for further material improvement have become more evident. Increased industrial activity in the next few months should result in increased consumer income and a strengthening in the demand for meats. Such a trend would be the reverse of that last fall and winter, when lamb prices declined to the lowest level since 1933.

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WOOL SITUATION

The domestic wool situation has improved in recent months. Mill activity has increased, and prices of wool are somewhat higher than in early summer. During the remainder of 1938, domestic prices will be greatly influenced by the movement of foreign prices. Wool manufacturing activity has increased in some European countries, but Japanese buying remains greatly curtailed and the general situation remains uncertain.

It now appears likely that total supplies of Southern Hemisphere wool for the current season will be slightly larger than in 1937-38. On the basis of returns from three important countries the quantity available is likely to be about the same as the average for the five seasons 1932-33 to 1936-37. The larger supplies this season as compared with last are the result of a considerably larger carry-over, since production in the three countries combined is estimated to be slightly smaller than last season.

The weekly rate of consumption of apparel wool by United States mills in July was the highest reported since last August and was 11 percent greater than in July last year. But because of the small consumption in the early months of 1938, total consumption in the first 7 months of this year was more than 40 percent smaller than in the same period last year. Unfilled orders for wool piece goods increased in the second quarter of this year. With stocks of finished and semi-finished goods relatively small and with prospects for some improvement in the general business situation it is expected that mill consumption will increase further during the remainder of 1938.

Total supplies of raw wool in the United States on August 1 remained much larger than at the corresponding time in 1936 and 1937. But mill consumption in the remaining months of 1938 is expected to be larger than in the same months of last year and imports probably will continue relatively small. By the end of 1938, therefore, stocks may be no larger than a year earlier.

1/ From the September 15 issue of the Demand and Price Situation. For a more detailed discussion, see the monthly Wool Situation, copies of which may be obtained from the Division of Economic Information, Bureau of Agricultural Economics, Washington, D. C.

Supplies of sheep and lambs, specified periods

Item	Unit	Year			Month				
		Average	1936	1937	Aug.	Aug.	July	Aug.	
		1924-33			average	1937	1938	1938	
					1924-33				
Sheep and lambs:	:	:							
Number slaughtered	:	:							
under Federal	: Thou:	:							
inspection <u>1</u> /.....	sands	:	14,737	17,216	17,270	1,297	1,498	1,461	1,603
Receipts at seven	:	:							
markets <u>2</u> /	do.	:	15,241	11,892	11,470	1,305	1,158	734	1,234
	:	:							
	:	:							
			Year		:	Month			
	:	:	Average	:	:	July	July	June	July
	:	:	1924-33	1936	1937	average	1937	1938	1938
	:	:				1924-33			
Slaughter under	:	:							
Federal inspection:	:	:							
Lambs and yearlings-	: Thou:	:							
Number slaughtered	sands	:	13,678	15,547	15,912	1,146	1,308	1,395	1,370
Percentage of total::	:	:							
sheep and lambs ...	Percent:	:	92.8	90.9	92.1	93.9	94.0	93.9	93.8
Sheep:	: Thou:	:							
Number slaughtered	sands	:	1,059	1,569	1,358	74	83	90	91
Percentage of total:	:	:							
sheep and lambs	:Percent:	:	7.2	9.1	7.9	6.1	6.0	6.1	6.2
Sheep and lambs:	:	:							
Average live weight:	Pound	:	81	85	85	76	80	79	80
Average dressed wt.:	do.	:	39	40	40	37	38	38	38
Total dressed wt.	:Mil.lb.:	:	569	680	683	45	53	56	55
	:	:							

1/ Bureau of Animal Industry.

2/ Chicago, Kansas City, Omaha, Denver, St. Joseph, Sioux City and St. Paul.

3/ Average 1929-33.

Price per 100 pounds of sheep and lambs, by months, June-August, 1936-38

Item	1936			1937			1938		
	June	July	Aug.	June	July	Aug.	June	July	Aug.
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Slaughter lambs, Chicago:									
Good and Choice	11.44	9.94	9.53	11.94	10.84	10.78	9.30	9.10	8.46
Common and Medium	9.32	7.72	7.20	10.42	9.15	9.06	7.76	7.44	7.12
Slaughter ewes, Chicago:									
Good and Choice	3.45	3.83	3.50	3.78	4.22	4.70	3.39	3.33	3.50
Common and Medium	2.28	2.47	2.25	2.30	2.36	3.32	2.59	2.54	2.62
Feeding lambs, Omaha:									
Good and Choice	8.60	7.76	7.61	8.53	8.80	9.50	6.97	7.34	7.32
Average price paid by packers -									
Sheep and lambs	9.66	8.69	8.29	9.95	9.60	9.34	7.77	7.95	
Average price received by farmers:									
Sheep	4.03	3.94	3.69	4.52	4.53	4.52	3.43	3.46	3.40
Lambs	8.33	7.94	7.59	8.88	8.50	8.64	6.84	6.84	6.59
Lamb, New York:									
Wholesale carcass: 1/									
Choice	23.15	21.23	20.17	21.40	21.13	20.86	18.88	19.56	17.74
Good	21.80	20.11	18.79	20.20	20.09	19.15	17.98	18.82	17.02
Medium	19.65	17.99	16.81	18.48	18.42	16.90	16.39	16.68	15.10
Pulled wool Boston: 2/									
Choice AA	93.1	92.8	92.0	107.5	106.9	106.5	69.0	72.8	73.5
Choice White B	78.1	77.6	76.2	91.2	89.6	88.5	54.0	59.0	60.5
Sheep pelts, packers									
shearlings, No. 1, Chicago:									
each 3/	1.12	1.14	1.10	1.39	1.24	1.25	0.52	0.58	0.60

1/ For Choice and Good, 38 pounds down; for Medium, 38 pounds down in 1936 and 1937, and all weights in 1938.

2/ Cents per pound.

3/ Bureau of Labor Statistics.

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